Documentation Any carrier who wishes to assess an LNP adjustment to recover LNP costs (e.g., network, NPAC, dip service) would first provide the Commission Staff and ultimately to the Commission its incremental intra-state LNP investments and costs for which it seeks recovery. Unless a carrier proposes the implementation of an LNP adjustment, documentation of its LNP costs and investments would not be required (except for the initial societal cost-benefit analysis).

Computation The Commission will decide what portion of a carrier's incremental LNP costs and investments are recoverable in rates and the appropriate period of amortization. The adjustment may be re-calculated each year to ensure sufficient recovery.

Duration Implementation of the LNP adjustment would begin in the month in which the first customer ported his/her number to another carrier and would be in effect for 60 months from that date. After the amortization period, any LNP adjustment would be removed and absent any other regulatory proceeding to the contrary, any rolled-in adjustment amount would be removed from service rates. Recovery of costs that are incurred beyond the 5 years (e.g., NPAC costs) will be subject to a future determination.

portrpt2.doc

Staff's Second Quarterly Report on the Maryland Local Number Portability Consortium

Appendix 12

Appendix 12

MCI Telecommunications Corporation
Eastern Region
1133 19th Street N.W. - 11th Floor
Washington, DC 20036
202 736 6206 ph
202 736 6576 fx

Prince Jenkins
Associate Attorney
Regulatory Specialist
State Regulatory &
Governmental Affairs

VIA FAX: April 5, 1996

Geoff Waldau
Maryland Public Service Commission
6 St. Paul Street
Baltimore, MD 21202-6806

Re: Case No. 8704, MCI Response to Staff's Draft Second Quarterly Report on Number Portability.

Dear Mr. Waldau:

MCI Telecommunications Corporation ("MCI") provides the following response to Staff's request for comments regarding the Second Quarterly Report on Number Portability.

ISSUE: IS THE PERMANENT LNP SOLUTION VIA LRN MORE COST BENEFICIAL THAN RCF?

MCI contends that the answer to this question is clearly yes. Furthermore, another hearing is not necessary decide the cost benefits of permanent LNP because this issue has been previously addressed by the Commission in its Order directing an LNP solution in Maryland by 1st Quarter 1997. However, the Maryland Commission should order that all local exchange providers, (not including inter-exchange carriers) , operating in Maryland provide or procure permanent local number portability capability and offer this service to their customers.

As to cost analysis, MCI submits that Bell Atlantic-Maryland's ("BA-MD") costs should be spread across all Bell Atlantic States. In addition, BA-MD's incremental churn costs (customer service costs to process orders) should not be included in any cost analysis because such churn costs are the result of overall competition in the marketplace and are not directly attributable to any specific number portability solution. Neither should "avoided RCF costs" be defined to include CLEC and BA-MD's RCF costs plus tariffed rates paid by CLECs to BA-MD.

ISSUE: IS THERE A SOUND PUBLIC POLICY REASON FOR QUICK IMPLEMENTATION OF LRN BY 3rd QUARTER 1997?

MCI submits that the answer is a resounding yes and that the Commission should require implementation of LNP by 3rd Quarter 1997. The Commission should also require the Consortium to implement the technical strategy developed by the Illinois workshop by 3rd Quarter 1997 rather than wait for an alternative technical strategy from Bellcore which may take longer and whose overall savings are difficult to quantify at this time. Given the afore-mentioned factors, among others, the Consortium should not consider at this time, the alternative technical strategy being developed by Bellcore nor be forced to delay implementation of LNP while Bellcore continues work on their solution.

ISSUE: WHAT IS THE BEST PUBLIC POLICY CONCERNING LNP COST RECOVERY?

CLECs should not be required to pay for BA-MD permanent LNP costs via a per line month charge or any other charge since the Telecom Act mandates that all carries shall share the costs of implementing local number portability. Instead, the Commission should require broad-based recovery (i.e., all carriers to pay for their own permanent LNP network, operating costs and a portion of the shared NPAC costs and recover these from their own customers if they choose. NPAC costs be allocated to carriers based on the method recommended by the LNP Steering Committee at its meeting on April 2, 1996. The Maryland Commission should rule as soon as possible on the method and amounts for any BA-MD permanent cost recovery. In the event the Commission were to establish a surcharge mechanism to recover the costs of LNP from entire customer base in Maryland, the amount of the surcharge should be kept at a minimum with any significant surcharge amounts requiring further review and examination by the Commission.

ISSUE: WHAT ARE THE BENEFITS, IF ANY, OF HAVING A LIMITED LIABILITY COMPANY ISSUE THE RFP AND CONTRACT WITH AND SUPERVISE THE DATABASE ADMINISTRATOR OR NUMBER PORTING ADMINISTRATION CENTER ("NPAC").

The LLC provides the Maryland Consortium with protection from legal liability arising from contract, tort and other potential legal actions. Carriers participation in the LLC should be based upon the criteria established by the Steering Committee at its meeting on April 2, 1996. The Commission should become the final level for breaking deadlocks since Staff is already involved in resolving deadlocks at a lower level within the Consortium. The Maryland Commission should issue its ruling before the FCC's ruling in May because such a decision by the Maryland Commission may in fact guide the FCC in its decision as to what direction the states are moving on this issue.

ISSUE: WHAT IS THE BEST COURSE OF ACTION FOR THE NEAR TERM?

The Consortium should continue developing and implementing a permanent LNP database rather than wait for the Maryland Commission to rule. All committees should continue to proceed on schedule to implement LRN by 3rd quarter 1997, including the Technical Committee. Lastly, The Commission should rule on the cost recovery issue and identify specific recovery mechanisms prior to rendering a decision to proceed with implementation.

Sincerely,

Prince Jenkins

Prince Jenkins
MCI Telecommunications Corp
1133 19th St. N.W.
Washington, D.C. 20036

AT&T

Ross L. Baker
Director
Government Affairs - Maryland

April 5, 1996

Room B155
3033 Chain Bridge Road
Oakton, VA 22185-0001
703 691-7050
FAX 703 691-7200

Mr. Geoffrey Waldau
Chairman, Maryland Local Number Portability Consortium
Public Service Commission of Maryland, 19th Floor
6 St. Paul Centre
Baltimore, Maryland 21202-6806

Dear Mr. Waldau:

Attached are AT&T's comments on the issues listed in Staff's draft Second Quarterly Report of the Maryland Local Number Portability Consortium (MLNPC) and its progress to date. AT&T believes that the MLNPC is making good progress towards compliance with the Telecommunications Act of 1996 (Act) and should move forward without delay. Moreover, as we understand the Act, none of the already completed activities of the MLNPC, nor any of the contemplated activities, violates or runs counter to the Act or its intent. In fact, it is likely that requirements soon to be prescribed by the FCC will be very close to, if not exactly, those already adopted by the MLNPC.

On the chance that the FCC were to prescribe requirements far different from those already adopted by the MLNPC, nothing that has transpired to date, or will take place within the next few months, is irrevocable or cannot be modified to meet the FCC requirements with little or no expense to any of the MLNPC members. In other words, there is no good reason to delay progress at this juncture. To the contrary, since success of the overlay method of achieving expansion of the telephone number base in Maryland is predicated on the concomitant introduction of permanent LNP, competitive neutrality depends upon LNP implementation as soon as possible.

In addition, Remote Call Forwarding is not a satisfactory interim arrangement for LNP. It is costly, limited in capacity and restricted in the types of calls it can forward unless there are special billing arrangements negotiated between the incumbent LEC and the new entrant LEC, an additional burden placed on an already cumbersome process.

Therefore, there is every reason to forge ahead and address whatever adjustments are necessary, if any, once the FCC issues its recommendations.

Yours truly,

RBaker

Attachments

April 5, 1996

Mr. Geoffrey Waldau:

Dear Geoff,

AT&T has reviewed Maryland LNP Consortium Case 8704 Issues List as you requested at the last Steering Committee Meeting. Our responses to the questions you raised are stated below.

Issue 1--Cost Benefits

Question 1: Is the permanent LNP solution via LRN more cost beneficial than RCF?

AT&T agrees with the Staff's position stated in the Quarterly Report. As you are aware, each carrier was asked to perform a Cost Data Analysis for Maryland involving LRN and RCF. Our modeling showed an initial view of LRN costs in MD to be in a range of 20 to 30 cents per line. Bell Atlantic's tariffed rate for Interim LNP--RCF is $1.60 per line per month (along with a $10 initial fee). LRN is clearly more cost beneficial than RCF. Looking at the cost issue from a different perspective, the cost comparison chart in the Quarterly Report provided by MCI Metro shows the total cost of LRN to an incumbent is less than RCF within the first few years of implementation. It is also important to note that LRN does not break features. The full range of features are available to new entrants using LRN, but this is not the case for RCF. New entrants will be paying much more for RCF and receiving less in feature functionality. This is why it is critical for the State of Maryland to implement LRN as quickly as possible--and not wait for the FCC to act--to allow consumers to enjoy all the benefits of competition at the earliest possible date. In Case 8704, the Commission recognized that if a nationwide standard was to be established, it would likely be fueled by state initiatives. We believe the state initiatives have made LRN a de facto standard, since all states that have chosen a permanent LNP solution have chosen LRN. We fully expect that the FCC will select LRN as well. A delay in Maryland to await the FCC will delay our ability to obtain an SMS and to implement LRN.

The Telecommunications Act requires LECs to implement LNP. Therefore, comparisons of a permanent LNP solution (LRN) to RCF to determine if LRN is needed is not necessary. A permanent LNP solution is a requirement.

Question 1A--Are there material facts in dispute concerning the costs of permanent LNP in Staff's 2nd Quarterly Report?

AT&T concurs with the facts provided by Staff in the Quarterly Report. Please refer to our response to Question 1B concerning RCF costs.

Question 1A1--For the cost analysis, should Bell Atlantic's costs be spread to all Bell Atlantic states?

AT&T agrees with Staff's position stated in the Quarterly Report. We believe these costs must be spread to all Bell Atlantic states for all the cost categories (switching and operational support items) to show fair and equitable costs for each state. LRN has become the de facto standard as the permanent LNP solution across those states considering LNP. Therefore, LRN costs for Bell Atlantic should not be borne solely by the first state within its territory to move forward with LRN. As more Bell Atlantic states move to implement LRN, its costs will appropriately reflect LNP activities in that area.

Question 1A2--Should incremental churn costs (customer service costs to process orders) be included?

AT&T does not believe that incremental churn costs should be included as a cost of Local Number Portability. Incremental churn costs are attributable to the cost of doing business in a competitive environment. It is a company-wide common cost that cannot be attributed to LNP. Churn is a product of competition--since customers now have a choice in the local market, there will be movement between available carriers. AT&T also believes that the method used to recover churn costs will be determined by the competitive marketplace. If a carrier decides to charge a per change fee to customers, customers may switch local providers but may elect not to use the carrier with a fee

Question 1B--Are there material facts in dispute concerning the benefits of permanent LNP (or deficiencies of RCF) in the Staff's 2nd Quarterly Report (Appendix)?
AT&T concurs with the facts provided by Staff in the Quarterly Report. AT&T wishes to emphasize RCF feature breakage including CLASS as noted in our response to the Cost Data Request.

Question 1B1--Should "avoided RCF costs" include CLEC and BA-MD's RCF costs plus tariffed rates paid by CLECs to BA-MD?
AT&T believes that BA-MD RCF costs should not be included because BA-MD passes the RCF costs on to the CLECs. It is believed that BA-MD tariffed rates on Interim LNP-RCF are higher than the network impact costs. In addition, AT&T believes the question is no longer relevant in light of the new Telecommunications Act. We believe Bell Atlantic tariffs place the entire burden of Interim LNP--RCF on the new entrants. It is not competitively neutral, and it is in opposition to the Telecommunications Act. The costs that Bell Atlantic incurs (switching/transport) should be shared by all carriers including BA in proportion to the working telephone numbers.

Question 1C--Is a hearing necessary for the Commission to make a decision on the cost-benefits of permanent LNP?
AT&T agrees with Staff's position--we believe a hearing is not necessary to make this decision. The Commission has already ruled on the importance of permanent LNP compared to any interim capability, finding that the lack of true number portability is a barrier to a competitive local exchange market and that interim LNP solutions have limitations that make them unacceptable in the long term. Also, the Telecommunications Act makes permanent LNP a requirement and establishes that LNP is in the public interest.

Question 1D--Should the Maryland Commission require that all carriers operating in Maryland (local and inter-exchange) provide (or procure) permanent local number portability capability and offer this to their customers?
AT&T agrees with Staff's position in the Quarterly Report. It is critical that the Maryland Commission move the Consortium forward--and more importantly, Bell Atlantic forward--to implement permanent LNP as quickly as possible in the State of Maryland. The earliest availability of LRN through the switch vendors would be 2nd Quarter 1997, making the first porting of numbers available by 3rd Quarter 1997. The benefits of competition could be brought to Maryland consumers as early as this date.

Issue 2--Quick Implementation Via the Illinois Strategy
Question 2--Is there a sound public policy reason for quick implementation of permanent database LNP?
AT&T agrees with Staff's position. Competition is in the public interest, and the faster permanent LNP can be deployed in the State of Maryland, the faster the consumers will receive the benefits of competition. This also represents one of the mandates needed for Bell Atlantic to move into the long distance market. As BA starts to implement permanent LNP, they will be permitted to expand to this market.

Question 2A--Should the Commission require implementation of LRN by 3rd Quarter 1997?
AT&T agrees with Staff's position. It is our view that the Commission should move forward for implementation of LRN by this timeframe. It is important to note that LRN would not be deployed in the State of Maryland all at once; rather, deployment would begin in this time period.

Question 2B--Should the Commission require all local exchange and interexchange carriers to implement the technical strategy developed by the Illinois Workshop by 3rd Quarter 1997 or wait for an alternative technical strategy from Bellcore (e.g., with look ahead capability, single standard platform

and trigger) which may take longer and may cost less? See BA-MD's letter explaining why it cannot support the Illinois existing requirements?
AT&T agrees with Staff's position. We believe that the Commission should move forward with the technical strategy developed by the industry through the Illinois Workshops by 3rd Quarter 1997. It is important to note that Bell Atlantic/the Maryland Workshops have influenced and made changes to this technical strategy generated through the Illinois Workshops. Bell Atlantic, for example, began working directly with its switch vendors to influence those switch requirements even before a Switch Requirements Subteam was formed in Maryland. Any changes requested by Maryland which could be accommodated in a 2nd Quarter 1997 vendor release were accepted and incorporated into the technical strategy generated out of Illinois. This technical strategy was generated by industry participants with vendors (who will need to produce the product) as an active part of the process. Industry members believe that the strategy is sound and represents the best LRN technical strategy available at the earliest date to consumers. Enhancements to any strategy should always be pursued after first market availability, and we would expect additional work to be done in this area.

We urge the Commission not to wait for an alternative technical strategy from Bellcore. It should be understood that Bellcore is being funded to perform this activity by their clients: current incumbent LECs and an Independent. CLECs/new entrants--who were certainly invited to provide industry input--have not been invited to participate in any alternative technical strategy. Also, it is certainly not clear that this alternative technical strategy will yield a solution that will cost less. Time and cost are typically linked in a development process. The switch vendors indicated during Illinois Workshops that if they used triggers and platforms that could be easily accommodated on their individual products, they could support an LRN general availability of 2nd Quarter 1997. Additional development time and therefore cost would be required to incorporate a different trigger/platform on those vendor products. One particular vendor, Nortel, indicated that if it had to develop a PODP trigger on its product, LRN could not be available until mid-1998. We believe that enhancements to the technical strategy developed through Illinois Workshops should be made through true industry influence, not the Bellcore process.

Concerning "look ahead" capability currently being considered by Bell Atlantic and the Bellcore process, any "look ahead" capability is not viewed as competitively neutral since it requires that the LEC's network always be part of the call process. Therefore, any "look ahead" capabilities do not meet the requirements of the Telecommunications Act--to allow consumers to retain their telephone number without impairment of quality, reliability or convenience when switching from one telecommunications carrier to another. Query on Release, which is one "look ahead" capability being actively investigated by BA-MD, increases post dial delay to noticeable and unacceptable levels--and competitively disadvantages CLECs relative to BA. As LNP matures, there will be a larger number of people who have ported, and the advantages of anything that is deployed with this feature become minor to nonexistent.

Question 2C--What is the range of the likely or forecasted cost-benefits and timing of the Bellcore alternative technical strategy? (See, Letter from Mary Vaden, BA-MD, to Geoffrey Waldau, MDPSC, dated Feb 29, 1996)
Of one thing we are certain, and that is that the Bellcore process will put additional delay in the implementation of permanent LNP, and whatever the delay, it is unacceptable to new entrant CLECs. Incumbent LECs will continue to maintain their monopoly structure--and lock consumers out of choice in the local market longer. LRN meets the Telecommunications Act's requirement of technical feasibility and can be implemented beginning in 3rd quarter 1997. The benefits exceed the costs, and moving forward with the current strategy should not be delayed.

Question 2D--Should an alternative technical strategy proposed by Bellcore be considered and approved by the majority of carriers in the Maryland Consortium or be implemented and timed solely at the option of Bell Atlantic?

AT&T agrees with Staff's position. Based upon our understanding of this alternative technical strategy from Bellcore, we believe the alternative is not consistent with the principles of the federal legislation, and it will add delay to the process. Certainly, the Maryland Consortium would be interested in evaluating and considering enhancements for long term LNP. If enhancements are made to the current technical strategy, they should be reviewed and approved within the Maryland Workshop by a majority of the carriers in the Consortium.

Issue 3--Cost Recovery

Question 3--What is the best public policy concerning permanent LNP cost recovery (e.g., competitive neutrality)?

AT&T agrees with Staff's position, differing only on use of pooling and using revenues as a basis of allocation. We believe each carrier should pay for its own costs, and then, based upon the competitive marketplace, determine how best to recover those costs.

Question 3A--Should CLECs pay for BA-MD's permanent LNP costs via a per line per month charge or some other charge?

Since we believe each carrier should pay for its own costs, we do not believe new entrants--who must bear the significant risk/cost of the market entry--should also subsidize BA-MD for the price of competition.

Question 3B--Should the Commission require a broad-based cost recovery (i.e., all carriers should pay for their own permanent LNP network, operating costs and a portion of the shared NPAC costs and recover these from their own customers if they choose)?

AT&T believes it is more appropriate for the Commission to require this kind of cost recovery.

Question 3B1--Should NPAC costs be allocated to carriers based upon local market share, the number of transactions with the NPAC or some other measure?

AT&T believes SMS related expenses are best handled through a combination of recurring and nonrecurring charges that would cover both the initial investment and the ongoing expenses of the SMS. Local exchange carriers will upload information for their customers to the SMS database. Carriers or others who use or offer routing databases will download information for all end users with ported numbers into their systems. Each of these groups should bear a share of the SMS costs. Users will pay setup charges to establish accounts as well as monthly recurring charges for access to the SMS database and for each ported number maintained in the database. Like the 800 portability SMS, these fees will take the form of tariffed rate elements that recover the administrative, operational, and capital costs of the SMS. Other than the account setup charges, there will be no other one time or up front charges to cover the SMS investment or other cost.

The 800 portability SMS tariff rate elements serve as a model for the LNP SMS. These tariff rate elements include:

- Service Establishment: A nonrecurring charge for each logon ID assigned. Different charges may apply for the first and additional IDs established.
- SMS Access: A monthly recurring charge for each dial-up (temporary) or dedicated (full time) connection for the purpose of uploading and downloading subscriber information. Different rates will apply for different speeds and technologies. A user may only change information for its subscribers. Information for other users' subscribers is provided on a read-only basis for the purpose of providing routing information to complete calls.
- Customer Record Administration: A monthly recurring charge to each user for each ported number maintained in the SMS.
- Reports: A per report charge for reports requested by a user. Different rates may apply to different reports.
- Mechanized Generic Interface Testing: A nonrecurring charge for the series of tests and activation of the Mechanized Generic Interface. Additional testing charges would be based on per hour or per day

basis. The purpose of this interface is for a user to integrate one or more of its operations systems with the SMS for the purpose of automating the transfer of number administration and customer record administration data.

- Miscellaneous Functions: These charges cover batch tape processing of subscriber updates (per tape processed), batch testing (per day and per hour of testing), out of hours assistance (per quarter hour interval), and subscriber carrier change (per ported number changed). The subscriber carrier change is when a customer switches local exchange service providers. The administrator will require a written request from the new provider certifying that it has the written authorization of the subscriber. This is consistent with rules for interLATA carriers and 800 service providers.

Using the above rate elements, the systems administrator will develop rates. The user group will provide volume and usage information that the systems administrator will use, together with its costs, to develop the tariff rates. The user group, through consensus, will recommend the tariffs for submission to the appropriate regulatory authority for approval.

Question 3C--When should the Maryland Commission rule on the method and amounts for any BA-MD permanent LNP cost recovery (e.g., now, after May FCC ruling assuming it is substantive, in conjunction with Case 8715)?
AT&T urges the Maryland Commission to rule now since we believe that the Commission has all the information it needs.. However, it is not necessary to link the requirement of LRN and cost recovery--they can be addressed independently if the Commission so chooses. We believe it is imperative that the Commission decide now on implementation of permanent LNP for the State of Maryland at the earliest possible date--3rd Quarter 1997. If implementation is not ordered, the 3rd Quarter 1997 date is in jeopardy.

Question 3D--Should the Commission establish a surcharge mechanism to recover all carriers' costs from the entire customer-base in Maryland?
No. AT&T is not asking to recover its costs, nor is any other new entrant CLEC that we are aware of. AT&T believes surcharges are not competitively neutral and adds complexity to the issue of cost recovery.

<u>Issue 4--Limited Liability Company</u>
Question 4--What are the benefits, if any, of having a limited liability company issue the RFP, and contract with and supervise the database administrator or number porting administration center (NPAC)?
AT&T agrees with Staff's position on the formation of a LLC. Outside counsel was commissioned by the Legal Committee to provide the trade-offs of having an LLC perform the functions listed above, and the Consortium was urged to move ahead and form an LLC. AT&T believes that an LLC would best serve the interests of <u>all</u> parties that participate in Local Number Portability, and should be the entity that issues the RFP.

Question 4A--Can and should the Commission require BA-MD or any carrier to be a member of LLC?
AT&T believes the Commission should require the CLECs and BA-MD--companies that provide uploads to the NPAC--to be a part of the LLC as part of certification requirements

Question 4B--If an LLC is formed, should the Commission be the final level for breaking deadlocks (if Staff is already involved in resolving deadlocks at a lower level within the LLC?)
AT&T believes that the Commission should be available for breaking deadlocks within the LLC.

<u>Issue 5--Next Course of Action</u>
Question 5A--Should the Maryland Commission issue a ruling before the FCC ruling due in May 1996?
AT&T would urge the Maryland Commission to continue to move ahead, issue a ruling now and not wait for the FCC ruling. We believe there is enough evidence that LRN will be the chosen permanent solution

that it is safe to move forward toward implementation of this solution Even Bell Atlantic, while seeking an alternative technical solution from Bellcore, has indicated that it expects Bellcore will be using LRN as the call model and that Bellcore is using the Illinois LRN technical solution as a starting point. Any delay in a Commission ruling could thwart the 1997 implementation of LRN

Question 5B--Should Consortium continue developing and implementing permanent database LNP or wait for the Maryland Commission to rule? Which activities should continue and which, if any, should wait?
AT&T urges the Consortium to continue developing and implementing LRN for an implementation date of 3Q97. Evidently, Bell Atlantic-Maryland will not move forward with any implementation activities without a Commission ruling We cannot proceed without the cooperation and participation of BA-MD.

Question 5C--Should technical personnel continue working within the Maryland Consortium technical committees to implement LRN by 3rd Quarter 1997 until the Maryland Commission issues an Order?
AT&T urges the Consortium to continue these activities toward 3rd Quarter 1997 implementation. Evidently, Bell Atlantic-Maryland will not move forward with any implementation activities without a Commission ruling. We cannot proceed without the cooperation and participation of BA-MD.

Question 5D--Should the Commission rule on the cost recovery issue and identify specific recovery mechanisms prior to rendering a decision to proceed with implementation?
AT&T believes it is not necessary that the Commission rule on the cost recovery issue prior to rendering a decision to proceed with implementation. Implementation is a lengthy process. If the Commission waits to rule on cost recovery before proceeding on LRN implementation, it could place unnecessary delay in the implementation schedule. Unless cost recovery issues are decided immediately, any delay would push implementation dates out later.

Thank you for the opportunity to comment on Staff's position and state our position in the Quarterly Report.

Ross Baker